

**COUNCIL OF MEDIA ETHICS OF
MACEDONIA - ETIKA PRESS Skopje**

**FINANCIAL REPORT
For the period of DECEMBER 2014 - DECEMBER 2016**

INDEPENDENT AUDITOR'S REPORT

Skopje, January 2017

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH THE SPECIAL PURPOSE FRAMEWORK
DEFINED IN THE CONTRIBUTION AGREEMENT INTENDED FOR THE PROJECT'S
CONTRIBUTOR - THE STATE OF NETHERLANDS**

We have audited the accompanying special purpose financial statements of the COUNCIL OF MEDIA ETHICS OF MACEDONIA ("CMEM") prepared for the period of 01 December 2014 to 31 December 2016. The financial statements have been prepared by the management of CMEM based on the financial reporting provisions of the contribution agreement dated November 19, 2014 between Council of Media Ethics of Macedonia and The State of the Netherland ("the contractor").

Management's Responsibility for the Special Purpose Financial Statements

The management is responsible for the preparation and presentation of this special purpose financial statements provided in the contribution agreement and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the special purpose financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates, if any, made by the management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH THE SPECIAL PURPOSE FRAMEWORKS DEFINED IN
THE AGREEMENT INTENDED FOR THE CONTRIBUTOR OF THE PROJECT -
STATE OF THE NETHERLANDS**

Opinion

In our opinion, the accompanying financial statements of CMEM - Skopje for the year ended December 1, 2014 - December 31, 2016, are prepared, in all material respects, in accordance with the financial reporting provisions provided in the contribution agreement.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 2.1 to the Financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of Association CMEM in honouring the financial reporting provisions provided in the concluded agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the contracting parties signed in the contribution agreement and should not be distributed to or used by parties other than Association Council of Media Ethics of Macedonia - Etika Press Skopje and the Minister of foreign affairs of the State of Netherlands, signatories of the agreement.

Skopje January 25, 2017

Authorized auditor

Mitko Poposki



Manager

Jasmina Rafajlovska

INCOME AND EXPENSE STATEMENT
for the period from 01.12.2014 to 31.12.2016
(in Denars)

	Note	31 December 2016	Non paid expenses
Income from contributions	4	6.972.866	-
Gross salaries and honorariums expenses	5	(4.214.521)	(52.150)
Travel and accommodation expenses	6	(521.106)	(10.500)
Office rental and utilities expenses	7	(723.355)	-
Communications and IT expenses	8	(605.559)	(1.900)
Stationery and office supplies expenses	9	(343.994)	(37.386)
Bank charges	10	(59.769)	-
Buildings repairs and maintenance expenses	11	(36.562)	-
Expenditures for professional services	12	(468.000)	(61.400)
		<hr/>	<hr/>
<i>Surplus income - profit before tax</i>		-	-
Income tax		-	-
		<hr/>	<hr/>
NET SURPLUS INCOME		-	-
PROFIT AFTER TAX		<hr/> <hr/>	<hr/> <hr/>

*The accompanying notes are an integral part of these Financial statements
and should be read in conjunction with them*

BALANCE SHEET
as of 31.12.2016
(in Denars)

	Note	December 31, 2016
A ASSETS		
INTANGIBLE ASSETS		
Equipment and other assets	13	263.150
<i>Total intangible assets</i>		<u>263.150</u>
CURRENT ASSETS		
Short-term receivables	14	17.220
Cash		163.336
<i>Total current assets</i>		<u>180.556</u>
TOTAL ASSETS		<u>443.706</u>
B SOURCES OF BUSINESS ASSETS		
Business fund		263.150
Revaluation reserves		-
Unallocated surplus income - profit		17.220
<i>Total sources of business assets</i>		<u>280.370</u>
V LIABILITIES		
Short-term liabilities towards suppliers	15	163.336
<i>Total liabilities</i>		<u>163.336</u>
Deffered payment of expenses and non-operating liabilities in the future		<u>443.706</u>
TOTAL SOURCES OF BUSINESS ASSETS AND LIABILITIES		<u>263.150</u>

The accompanying notes are an integral part of these Financial statements and should be read in conjunction with them

1. GENERAL INFORMATION ABOUT THE PROJECT

The Contribution Agreement was established as a cooperation strategy between The State of Netherlands, represented by the Minister of Foreign Affairs and The Council of Media Ethics of Macedonia (hereinafter: CMEM) for the implementation of the project "Institutional strengthening of The Council of Media Ethics of Macedonia".

The project shall be realized within 24 months, starting December 1, 2014 and ending on December 1, 2016. With this project, CMEM seeks to promote freedom of speech (which shall be established through strengthening of the independence and protection of the media in Macedonia), advance the broad-based regulatory mechanisms and develop common agenda on freedom of speech between the media owners, editors, journalists and civil society.

The lack of transparency of spending public funds for advertising and public campaigns in the media (by the Government), constant pressure to the journalists, restrictive media legislation and occurrence of certain cases in which certain institutions obstructed the work of journalists were the main reasons that initiated the need for such project.

As part of this project and also a way to contribute against the violence on the media, a series of certain activities shall be conducted. These activities will be initiated and implemented mainly by the Executive Office of CMEC, supported by members of the Management Board, the Commission for control and compliance and also external partners from the media sector in Macedonia which will be selected in the initial phase of the project. Furthermore, this phase will be followed by publishing and promoting of an updated version of the "Code of Ethics of journalists" which shall be prepared in accordance with the standards of the International Federation of Journalists (IFJ). The project will continue with operationalization of the Compliance Commission in providing prompt assessment and monitoring of the project's implementation, enforced external communication through marketing campaigns and public relation activities, enforced internal communication in the Council of Media Ethics of Macedonia (between members), maintaining and enhancing stronger communication and cooperation with other valuable institutions as well as developing a sustainability plan.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis for preparation

CMEM - Skopje prepares the financial statements in accordance with the provisions of the Agreement concluded with the contributor for implementation of the project for institutional strengthening of the Council of Media Ethics of Macedonia.

These Financial statements present the assets and liabilities, income and expenses referring to the performance of CMEM - Skopje only for the purposes of the project financed by the contributor, for the period of December 1, 2014 to December 31, 2016.

CMEM - Skopje keeps the accounting records in accordance with the legal regulations applicable in the Republic of Macedonia related to the operation of non-profit organizations, primarily the Law on accounting for non-profit organizations ("Official Gazette of the Republic of Macedonia" No.24/03...17/11, hereinafter: Law) and the Rulebook on accounting for non-profit organizations ("Official Gazette of the Republic of Macedonia" No.42/03...175/11, hereinafter: Rulebook), and the appropriate bylaws adopted on the basis of the Law.

3. ACCOUNTING POLICIES

The information set forth below represents a summary of the significant accounting policies applied in the preparation of the Financial statements of CMEM - Skopje for the period of 01.12.2014 - 31.12.2016.

3.1 Income and expenses

Recognition of income and expenses is conducted in accordance with Article 13 of the Law and Article 18 of the Rulebook, or according to the accounting principle for modified occurrence of business changes or transactions

Pursuant to the accounting principle for modified occurrence of business changes or transactions, incomes are recognized in the accounting period in which they occurred under the criteria of measurement and availability. Incomes are measurable only when they can be presented as value. Incomes are available only when they are realized in the accounting period or within 30 days after the accounting period, provided the incomes refer to the accounting period and serve as provision of the liabilities for that accounting period.

Pursuant to the accounting principle for modified occurrence of business changes or transactions, expenses are recognized in the accounting period in which they occurred or within 30 days after the accounting period, provided the payment obligation occurred in that period.

3.2 Non-current assets

3.2.1. Initial evaluation

Non-current assets - long-term assets are initially evaluated at cost less the total amount of the calculated depreciation. The cost value of the long-term assets constitutes the purchase price increased for the import duties, value added tax, transportation expenses and all other expenses directly attributable to the cost, or purchase expenses.

In accordance with Article 19 of the Law, long-term assets are the assets whose useful life is longer than one year.

Long-term assets whose individual value at the moment of purchase is less than 300 Euro in Denars are present as group in small inventory.

3.2.2. Subsequent expenditures

Subsequent expenditures are capitalized only if the condition of the assets improves above their useful life, the capacity increases, their functionality and similar.

3.2.3. Depreciation

Depreciation is carried out according to the straight-line method by write-off which is consistently applied from one to another accounting period, by applying the annual rates which represent an integral part of the Rulebook. Depreciation is calculated for each asset individually within the groups prescribed by the Rulebook until the value of the long-term assets is totally compensated. The useful life or the period of write-off of long-term assets is determined in accordance with the prescribed rates. Below are the annual depreciation rates applied to certain more significant items:

Equipment	14% to 20%
Computers	20%
Furniture	10 % to 12%

3.2.4. Revaluation

CMEM performs the calculation of revaluation of long-term assets (tangible and intangible) in accordance with Article 15 of the Law and Articles 29 and 29-a of the Rulebook. Pursuant to these law provisions, the calculation of revaluation is performed in the following cases:

- 1) decommissioning or disposal, or
- 2) due to re-revaluation by an increase in the prices of industrial products

The basis for revaluation of the long-term assets is the purchase value of the assets and their accruing accumulated depreciation (impairment). The revaluation of the long-term assets due to their re-valuation is performed by applying the rate of the increase in prices of industrial products, published by the State Statistical Office. The result of the revaluation of the long-term assets is transferred in favour or at expense of the fund sources.

The revaluation of the long-term assets which are expandable or sold during the accounting period is performed so that all positions of the long-term assets from the previous year are multiplied by the index of the cumulative increase in prices of the industrial products by the producers on the domestic market, from the beginning of the accounting period until the end of the month in which the assets are expended or sold.

3.3 Receivables

Receivables are recognized according to the agreed amount in the agreement.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of monetary assets in treasury, on transaction accounts, bank deposits and highly liquid investments that are readily convertible into cash. Cash in treasury and on accounts in domestic currency are presented in nominal amount, and in foreign currency according to the average rate of the National Bank of the Republic of Macedonia at the balance date.

3.6 Liabilities

Liabilities are recognized according to the agreed amount in the agreement.

4. REVENUES FROM CONTRIBUTIONS

Revenues from contributions consist of the following:

	01.01.2014 -31.12.2016
Revenues from contributions according to the agreement (first transfer on 24.12.2014)	2.324.322
Revenues from contributions according to the agreement (second transfer on 17.08.2015)	1.628.350
Revenues from contributions according to the agreement (third transfer on 15.02.2016)	1.820.826
Revenues from contributions according to the agreement (fourth transfer on 30.08.2016)	1.199.368
<i>Total revenues from contributions</i>	<u><u>6.972.866</u></u>

Revenues from contributions are a result of received contributions from the State of Netherlands pursuant to the signed agreement for Institutional strengthening of the Council of Media Ethics of Macedonia.

5. EXPENSES FOR EMPLOYEES AND PAID REMUNARATIONS

Employee expenses and paid remunerations consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Executive director	1.321.022	-
Administration officer	883.050	-
Complaints Commission members	824.700	52.150
IT support	210.726	-
Technical support 2	427.942	-
Technical support 3	311.804	-
Translators	235.277	-
<i>Total employee expenses and paid remunerations</i>	<u>4.214.521</u>	<u>52.150</u>
<i>Total provided budget fund for the period</i>	<u>4.286.130</u>	<u>-</u>

6. TRAVEL AND ACCOMODATION EXPENSES

Travel and accommodation expenses consist of the following:

	01.01.2014-31.12.2016	Non paid expenses
Domestic transportation expenses	152.064	10.500
Expenses for travel abroad	182.753	-
Hotel accomodation	146.710	-
Regional event	39.579	-
<i>Total travel and accommodation expenses</i>	<u>521.106</u>	<u>10.500</u>
<i>Total provided budget fund for the period</i>	<u>545.366</u>	<u>-</u>

7. OFFICE RENTAL AND UTILITIES EXPENSES

Office rental and utilities expenses consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Office rent	467.821	-
Cleaning materials and service	117.366	-
Utilities (electricity, water, heating)	94.868	-
Rental of annual assembly hall	43.300	-
<i>Total office rental and utilities expenses</i>	<u>723.355</u>	<u>-</u>
<i>Total provided budget fund for the period</i>	<u>903.058</u>	<u>-</u>

COUNCIL OF MEDIA ETHICS OF MACEDONIA - ETIKA PRESS SKOPJE

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD of 01.12.2014 - 31.12.2016

8. COMPUTERS, IT EQUIPMENT AND EXPENSES FOR POSTAL SERVICES

Stationery and office supply expenses consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Computers and other equipment	209.590	-
Office furniture	152.476	-
Telephone services	202.755	-
Postal services	19.603	-
Other	21.135	1.900
<i>Total computers,IT equipment and expenses for postal services</i>	<i>605.559</i>	<i>1.900</i>
<i>Total provided budget fund for the period</i>	<i>605.696</i>	<i>-</i>

9. STATIONERY AND OFFICE SUPPLY EXPENSES

Office supply expenses consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Office supply and stationery consumables	111.086	12.870
Printing and photocopying	203.217	23.636
Current expenses (representation)	29.691	880
<i>Total stationery and office supply expenses</i>	<i>343.994</i>	<i>37.386</i>
<i>Total provided budget fund for the period</i>	<i>390.154</i>	<i>-</i>

10. BANK CHARGES

Bank charges consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Bank charges	44.554	-
Other expenses	15.215	-
<i>Total bank charges</i>	<i>59.769</i>	<i>-</i>
<i>Total provided budget fund for the period</i>	<i>81.600</i>	<i>-</i>

11. MAINTENANCE EXPENSES

Maintenance expenses consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Maintenance	36.562	-
<i>Total expences for maintenance</i>	<u>36.562</u>	<u>-</u>
<i>Total provided budget fund for the period</i>	<u><u>36.800</u></u>	<u><u>-</u></u>

12. PROFESSIONAL SERVICES EXPENSES

Professional services expenses consist of the following:

	01.12.2014-31.12.2016	Non paid expenses
Accountancy	118.000	10.400
Annual audit report	51.000	51.000
Legal advice	299.000	-
<i>Total professional services expenses</i>	<u>468.000</u>	<u>61.400</u>
<i>Total provided budget fund for the period</i>	<u><u>530.000</u></u>	<u><u>-</u></u>

13. NON-CURRENT ASSETS

Non-current long-term assets consist of the following:

	01.12.2014 - 31.12.2016
<i>Balance at December 1, 2014</i>	<u>-</u>
<i>Procurement</i>	
IT equipment	151.307
Furniture and other equipment	208.397
<i>Revaluation</i>	-
<i>Depreciation</i>	<u>(96.554)</u>
<i>Balance at December 31, 2016</i>	<u><u>263.150</u></u>

Most of the non-current assets used by CMEM (computers, IT equipment and furniture) are purchased for the purpose of performance of the business activities. They are in ownership of the contributor until completion and full implementation of the provisions of the agreement, and they will be transferred as ownership of CMEM after the final completion of the project.

14. SHORT-TERM RECEIVABLES

Short-term receivables consist of the following:

	01.12.2014-31.12.2016
Deposits	17.220
	<hr/>
<i>Total deposits</i>	<i>17.220</i>
	<hr/> <hr/>